ABSTRACT

A process for packaging and securitizing future oil and gas production stream from one or more wells. The process is based on the relative predictability of future oil and gas production levels. The predictability of future production permits the creation of a "production backed security" supported by a revenue stream derived from the packaged oil and gas production. The process includes first establishing a trust managed by a trustee or a fund managed by a fund manager. The trust is used for purchasing oil and gas production streams from one or more oil and gas producer. At the same time, an engineering data and asset management service develops a comprehensive database related to the oil and gas wells and their production. The database is used for analyzing and monitoring the oil and gas production streams to be purchased from the oil and gas producer. The trust then issues and sells the production backed securities to investors. The trust then pays the oil and gas producer from a portion of the proceeds from the sale of the security. Also, the process can include hedging the production backed securities using a commodity price hedge. The hedging of the security helps reduce the risk related to future price fluctuations of oil and gas. Further, the process can include a security guarantee and/or other credit enhancements. Still further, a security rating agency can be used to rate the production backed securities based on fluctuations in price, political, governmental and geographical risks related to the operation of the wells and the location.